

newsquawk

US Market Wrap - 21st January 2025

Bonds and Dollar chop while stocks bid after Trump returns to office

- **SNAPSHOT:** Equities up, Treasuries up, Crude down, Dollar flat.
- **REAR VIEW:** US President Trump mulls 25% tariffs on Mexico/Canada, starting Feb 1st; UK wage metrics tick higher; Germany's ZEW falls more than expected; Slightly cool Canadian CPI; Sources reiterate BoJ moving towards a rate hike this week; Mexican retail sales unexpectedly decline; OpenAI, Softbank & Oracle plan JV called Stargate; Strong SCHW & MMM earnings.
- **COMING UP: Speakers:** ECB's Villeroy, Knot, Lagarde. **Supply:** Australia, Germany, US.
- **DAILY US EARNINGS ESTIMATES:** JNJ, PG, TRV, ABT, APH, GEV, KMI. [To download the full report, please click here.](#)

MARKET WRAP

US indices (SPX +0.9%, NDX +0.6%, RUT +1.9%) saw gains with the vast majority of sectors in the green, with only Energy in the red as President Trump's executive orders and initial Dollar firmness weighed on the crude complex. The Dollar was ultimately flat on Tuesday, despite seeing an initial resurgence in wake of heavy selling pressure on Monday which was triggered by news that President Trump refrained from imposing tariffs on day one of his Presidency. Most of G10 FX was flat more-or-less flat against the Buck, although the CAD and also MXN lagged on Trump saying overnight that he is thinking of 25% tariffs on Mexico and Canada and thinks that they will do it on February 1st. Elsewhere, more reports out of Japanese press noted the BoJ is moving towards a rate hike at this week's meeting. Treasuries were firmer with the curve flattening, albeit settling off initial peaks after Trump's inauguration and the aforementioned tariff reports. In terms of stock specifics, MMM and SCHW reported strong earnings, while Oracle was buoyed in wake of CBS reporting that Trump is set to announce billions of dollars in private sector investment to build AI infrastructure in the United States, and OpenAI, Softbank (SFTBY) and Oracle (ORCL) are planning a JV. Surprisingly, headline newsflow was actually fairly light on Tuesday amid a lack of tier 1 US events and Fed on blackout, but participants await any remarks from Trump with him appearing on Fox News's Hannity on Wednesday night and Davos on Thursday.

FIXED INCOME

T-NOTE FUTURES (H5) SETTLED 6 TICKS HIGHER AT 108-23+

T-Notes were firmer with the curve flattening, albeit settling off initial peaks after Trump's inauguration. At settlement, 2s +0.6bps at 4.278%, 3s -0.6bps at 4.326%, 5s -1.9bps at 4.396%, 7s -3.0bps at 4.485%, 10s -3.9bps at 4.572%, 20s -3.9bps at 4.876%, 30s -4.5bps at 4.800%.

INFLATION BREAKEVENS: 5yr BEI -4.1bps at 2.491%, 10yr BEI -2.1bps at 2.393%, 30yr BEI -1.5bps at 2.332%.

THE DAY: At the re-opening of futures on Monday night, which were closed for a couple of hours amid MLK Day, T-Notes gapped higher and continued on their strength seen pre-inauguration on reports that Trump will not enact tariffs from day one. T-Notes continued to trend higher to peaks of 109-04, before gradually fading from best levels through the duration of the session amid the President's first full day in office. Prior to this, T-Notes printed a low of 108-08+ on potentially participants preparing for any inflationary tariff updates, but this was soon reversed and T-Notes were led higher following broader EGBs and Gilts strength on account of significant demand for their respective syndications. T-Notes were then choppy and matched the earlier intra-day low, albeit in pretty thin headlines newsflow. Although, this does come after a deluge of executive orders from President Trump on his first day back on Monday. Ahead, attention will of course be on any remarks from Trump, especially with a lack of tier 1 data this week and Fed on blackout ahead of the meeting next Wednesday. Regarding IG issuance, Goldman Sachs issued an USD 8.5bln 4-parter.

THIS WEEK SUPPLY: US to sell USD 95bln in 4-week bills and USD 90bln of 8-week bills on January 23rd; to sell USD 64bln 17-week bills on January 22nd, all to settle on January 28th.

STIRS/OPERATIONS:

- **Market Implied Fed Rate Cut Pricing: January 0bps (prev. 0bps), March 7bps (prev. 7bps), May 12bps (prev. 13bps), December 38bps (prev. 39bps).**
- NY Fed RRP op demand at USD 96bln (prev. 118bln) across 31 counterparties (prev. 32).
- US sold USD 89bln in 3-mnth bills at 4.215%, covered 2.80x; sold USD 76bln of 6-mnth bills at 4.165%, covered 3.04x.
- US sold USD 42-day of CMBs at 4.250%, covered 2.69x; sold USD 51bln of 1-yr bills at 4.025%, covered 3.14x

CRUDE

WTI (H5) SETTLED USD 1.99 LOWER AT 75.89/BBL; BRENT (H5) SETTLED USD 0.86 LOWER AT 79.29/BBL

The crude complex was lower on Tuesday as President Trump's executive orders and initial Dollar firmness weighed. On the former, Trump announced plans to invoke emergency powers to enhance energy production, declare a national energy emergency, and stated the US will probably stop buying oil from Venezuela and doesn't need their oil. Further, he reversed President Biden's climate policies whereby the White House said Trump signed an order on unleashing energy production and repealed Biden's 2023 memo barring oil drilling in some 16mln acres in the Arctic. As a follow-through, participants digested the President's executive orders alongside the implications of the new admin for the complex over the next four years. Away from the new President, albeit dominating headlines, in the Middle East, the Israeli Military said forces have begun an operation in the West Bank city of Jenin. For the record, WTI and Brent traded between USD 75.05-77.86/bbl and 78.45-80.46/bbl, respectively. Note, private inventory data is delayed until Wednesday on account of MLK Day on Monday.

EQUITIES

CLOSES: SPX +0.88% at 6,049, NDX +0.58% at 21,567, DJIA +1.24% at 44,026, RUT +1.85% at 2,318.

SECTORS: Energy -0.64%, Technology +0.38%, Consumer Staples +0.48%, Financials +0.84%, Communication Services +0.92%, Consumer Discretionary +1.01%, Materials +1.26%, Utilities +1.55%, Health +1.65%, Real Estate +1.83%, Industrials +2.03%.

EUROPEAN CLOSES: DAX: +0.24% at 21,042, FTSE 100: +0.33% at 8,548, CAC 40: +0.48% at 7,771, Euro Stoxx 50: -0.02% at 5,164, AEX: -0.31% at 915, IBEX 35: -0.14% at 11,927, FTSE MIB: -0.23% at 36,059, SMI: +0.57% at 12,106, PSI: -0.23% at 6,569.

EARNINGS

- **3M (MMM):** EPS and revenue beat; FY25 revenue outlook topped and sees profit climbing in '25.
- **DR Horton (DHI):** EPS and revenue beat; Affirmed FY25 guidance.
- **Charles Schwab (SCHW):** All major metrics beat citing strong client engagement and higher margin utilisation.
- **Prologis (PLD):** Adj. EPS and revenue surpassed forecasts.

STOCK SPECIFICS

- **Moderna (MRNA):** Awarded USD 590mln from the US Department of Health and Human Services.
- **Walgreens Boots Alliance (WBA):** DoJ filed nationwide suit vs. Walgreens alleging it dispensed millions of unlawful prescriptions.
- **Vistra (VST):** Firefighters confirmed on Monday that a fire that started burning on Thursday was out.
- President Trump is set to announce billions of dollars in private sector investment to build AI infrastructure in the United States, according to CBS News; **OpenAI, Softbank (SFTBY)** and **Oracle (ORCL)** are planning a JV called Stargate.
- **Meta (META):** Planning higher-end 'hypernova' AR-like glasses for 2025; Is developing a rival to AirPods earbuds with cameras and AI.; Resumed work on watch after years of starting and stopping. Releasing Oakley-branded version of smart glasses this year.
- **Honeywell (HON):** Unit Quantinuum anchored New Mexico's quantum plans and New Mexico is to reveal plans to raise USD 800mln for quantum strategy
- **Monster Beverage (MNST):** Said it reduced headcount and streamlined production with two facility closures in Monster Brewing.
- **Air Products (APD):** NBIM says it will vote for all four of Mantle Ridge's (activist) director nominees in the Air Products fight.
- **Southwest Airlines (LUV):** Cut 270 pilot roles in Denver and Atlanta, Bloomberg reports

BROKER MOVES:

- **Apple (AAPL):** Downgraded at Jefferies and Loop Capital with MS removing as Top Pick.
- **JD.com (JD):** JPMorgan placed it on "Positive Catalyst Watch" ahead of its Q4 report, citing upside risk to estimates and 2025 guidance.
- **General Motors (GM):** Upgraded to 'Buy' from 'Hold' at Deutsche Bank, citing recent strategic moves in China and Cruise.
- **Roku (ROKU):** Initiated with 'Outperform' at JMP Securities arguing the Co. is well positioned to benefit from the USD 166bln of linear TV advertising spend shifting to connected TV.

US FX WRAP

The Dollar ended the US session unchanged, paring overnight gains seen on reports President Trump is considering 25% tariffs on Mexico and Canada (as expected), but planning implementation on February 1st. Thereafter, broad-based upside was seen across the G10 space vs. the Dollar, although strength faded with DXY, falling to ~108.10, against an earlier high of 108.79. Behind the reversal, drivers were hard to identify, though given the report noted the President is "thinking" about said tariffs, rather than being a definite outcome, it could reinforce the market's notion a less aggressive tariff policy may be on its way, as earlier seen by Monday's Dollar weakness. Elsewhere, newsflow in the US was thin, with no data releases and Fed speak (blackout lasts until 31st Jan) on the schedule. Ahead, planned updates remain contained to President Trump, where he's expected at Davos on Thursday.

G10FX-ex JPY was completely in the red in the aftermath of renewed Trump tariff talks, however price action into the US session became mixed. JPY pared earlier modest upside, despite further sources noting the BoJ is moving towards a rate hike this week, with USD/JPY now hovering around 155.60. As it stands, money markets see an ~86% chance of a rate hike, vs 14% of a hold. Elsewhere, EUR/USD recouped earlier losses, shrugging off Germany's ZEW economic sentiment falling by a greater magnitude than anticipated in January, a result of "A lack of private household spending and subdued demand in the construction sector continue to stall the German economy", said the ZEW President. Separately, ECB's Villeroy said if the ECB carries on (cutting), can be at the 2% neutral rate by summer, while Kazimir said a rate cut next week is all but certain and two to three more will probably follow.

Cable was practically unchanged following both headline wage growth and the unemployment rate coming in as expected. The former rose to 5.6% (prev. 5.2%), and the latter ticked higher to 4.4% (prev. 4.3%). Despite the pickup in headline wage growth, ex-bonus was less hot than expected, and the monthly increase in price sector pay was more subdued relative to the headline, a metric the BoE closely watches. In the short term, BoE pricing was relatively unfazed, though two full rate 25bps rate cuts are now priced in by August (prev. September).

CAD underperformed major peers as Trump's remarks on tariffs weighed, sending USD/CAD to highs of 1.4515, against an earlier low of 1.4290. The pair later reversed the majority of gains with a slightly cooler-than-expected Canadian CPI report weighing (headline Y/Y unexpectedly eased to 1.8% from 1.9%), adding to existing confidence on the path of inflation's trajectory to the BoC's target rate of 2.25-3.25%. Additionally, BoC's Measures Average eased to 2.3% (prev. 2.4%).

EMFX: Unlike the CAD, MXN's weakness lingered to a greater extent post-Trump's commentary, with the USD/MXN daily uptrend remaining in play. Moreover, an unexpected decline in Mexico's retail sales in November further weighed on the MXN. Elsewhere in LatAm, CNN Brasil reported Brazil's President Lula told his aides that he may not run for re-election in 2026, the first time such a possibility has been admitted by the President. Ahead, a series of data is due on Tuesday from Poland, namely, PPI, Industrial Output, Sector Wages Corp, and Employment. NBP officials were once again on the wires, with Wnrowski saying it possible that by July there may be sufficient reason to cut rates, slightly more dovish than Kotecki who remarked on Monday that the first rate cut will not be before July.

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